

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Net Assets	H	21
Statement of Cash Flows	I	22
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	23
Statement of Changes in Fiduciary Net Assets	K	24
Notes to Financial Statements		25-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		36
Notes to Required Supplementary Information - Budgetary Reporting		37
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	39
Schedule of Changes in Student Activity Accounts	3	40
Private Purpose Trust - Scholarships Fund:		
Combining Statement of Fiduciary Net Assets	4	41
Combining Statement of Changes in Fiduciary Net Assets	5	42
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6	43
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	7	44
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		45-46
Schedule of Findings		47-53

Eddyville-Blakesburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 election)		
Ed Glenn	President	2008
Betty Voss	Vice President	2007
Debra Bahr	Board Member	2007
Lawrence Smith	Board Member	2008
Matthew Huber	Board Member	2008
Dan Hulbert	Board Member	2009
Jeff Claypool	Board Member	2009

Board of Education
(After September 2007 election)

Ed Glenn	President	2008
Debra Bahr	Board Member	2010
Kevin Lane	Board Member	2010
Lawrence Smith	Board Member	2008
Matthew Huber	Board Member	2008
Dan Hulbert	Board Member	2009
Jeff Claypool	Board Member	2009

School Officials

Dr. Dean Cook	Superintendent	2008
Susan Bayer	District Secretary/ Treasurer	2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Eddyville-Blakesburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Eddyville-Blakesburg Community School District, Eddyville, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eddyville-Blakesburg Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2009 on our consideration of Eddyville-Blakesburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary

Members American Institute & Iowa Society of Certified Public Accountants

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eddyville-Blakesburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Eddyville-Blakesburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,628,431 in fiscal 2007 to \$7,685,780 in fiscal 2008, while General Fund expenditures increased from \$7,336,892 in fiscal 2007 to \$7,480,910 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$993,663 in fiscal 2007 to a balance of \$1,198,533 in fiscal 2008, a 20.62% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local taxes in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Eddyville-Blakesburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Eddyville-Blakesburg Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Eddyville-Blakesburg Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Eddyville-Blakesburg Community School District Annual Financial Report

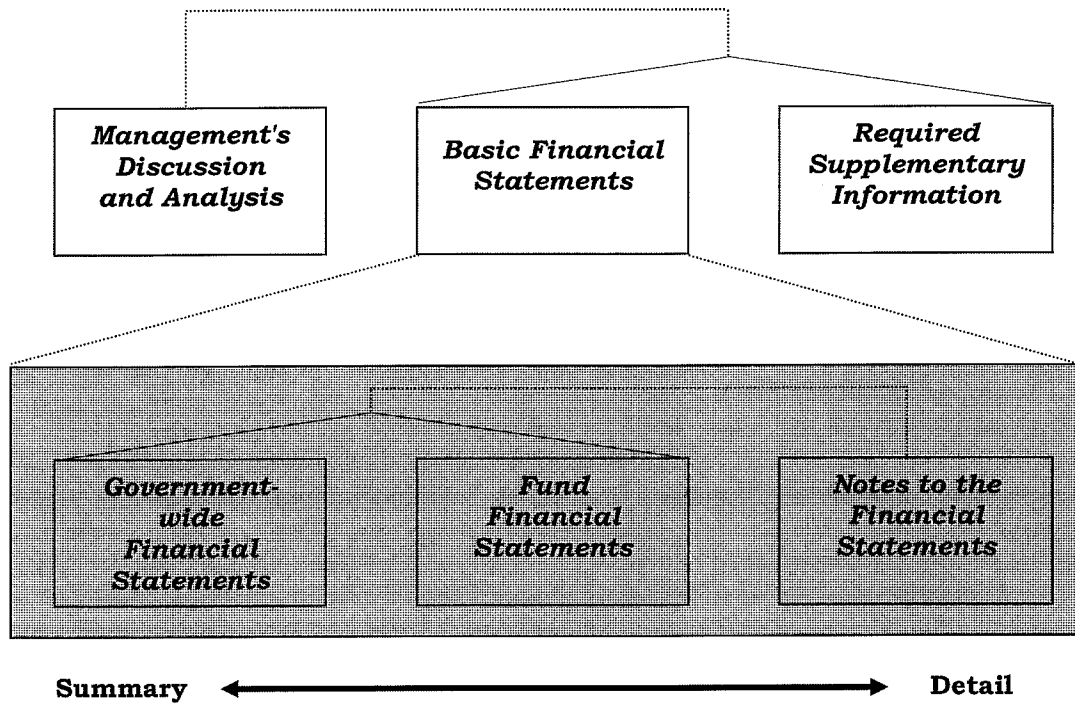


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition Fund, the Child Care Fund and the Building and Trades Fund. The District also has an Internal Service Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency fund.

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008, compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 8,500,028	7,757,319	186,582	7,114	8,686,610	7,764,433	11.88%
Capital assets	4,638,215	4,582,246	227,461	231,340	4,865,676	4,813,586	1.08%
Total assets	13,138,243	12,339,565	414,043	238,454	13,552,286	12,578,019	7.75%
Long-term obligations	481,032	695,254	0	0	481,032	695,254	-30.81%
Other liabilities	4,919,428	4,595,988	395,247	160,293	5,314,675	4,756,281	11.74%
Total liabilities	5,400,460	5,291,242	395,247	160,293	5,795,707	5,451,535	6.31%
Net assets:							
Invested in capital assets, net of related debt	4,401,077	4,332,703	227,461	231,340	4,628,538	4,564,043	1.41%
Restricted	1,811,347	1,721,604	0	0	1,811,347	1,721,604	5.21%
Unrestricted	1,525,359	994,016	(208,665)	(153,179)	1,316,694	840,837	56.59%
Total net assets	\$ 7,737,783	7,048,323	18,796	78,161	7,756,579	7,126,484	8.84%

The District's combined net assets increased by 8.84%, or \$630,095, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's

restricted net assets increased \$89,743, or 5.21% over the prior year. The increase was primarily a result the increase in the Capital Projects Fund.

Unrestricted net assets – are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$475,857, or 56.59%. This increase in unrestricted net assets was a result of the District’s increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the years ended June 30, 2008 compared to June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 1,170,378	1,119,847	490,342	507,029	1,660,720	1,626,876	2.08%
Operating grants and contributions and restricted interest	1,130,292	900,109	166,750	169,725	1,297,042	1,069,834	21.24%
General revenues:							
Property tax	3,918,731	3,900,770	0	0	3,918,731	3,900,770	0.46%
Local option sales and service tax	481,098	521,573	0	0	481,098	521,573	-7.76%
Unrestricted state grants	2,210,284	2,551,952	0	0	2,210,284	2,551,952	-13.39%
Other	215,809	144,700	98	166	215,907	144,866	49.04%
Transfers	(5,852)	(19,486)	5,852	0	0	(19,486)	100.00%
Total revenues	9,120,740	9,119,465	663,042	676,920	9,783,782	9,796,385	-0.13%
Program expenses:							
Governmental activities:							
Instructional	4,768,946	4,927,259	176,358	135,699	4,945,304	5,062,958	-2.32%
Support services	2,900,345	2,661,359	8,753	7,986	2,909,098	2,669,345	8.98%
Non-instructional programs	23,003	3,153	537,296	650,175	560,299	653,328	-14.24%
Other expenses	738,986	855,015	0	0	738,986	855,015	-13.57%
Total expenses	8,431,280	8,446,786	722,407	793,860	9,153,687	9,240,646	-0.94%
Change in net assets before contributed capital	689,460	672,679	(59,365)	(116,940)	630,095	555,739	13.38%
Contributed capital	0	0	0	215,364	0	215,364	-100.00%
Change in net assets	689,460	672,679	(59,365)	98,424	630,095	771,103	-18.29%
Net assets beginning of year	7,048,323	6,375,644	78,161	(20,263)	7,126,484	6,355,381	12.13%
Net assets end of year	\$ 7,737,783	7,048,323	18,796	78,161	7,756,579	7,126,484	8.84%

In fiscal 2008, property tax and unrestricted state grants account for 67.20% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.10% of the revenue from business type activities.

The District's total revenues were \$9,783,782 of which \$9,120,740 was for governmental activities and \$663,042 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of .013% in revenues and a decrease of 0.94% in expenses. The decrease in expenses was related to an decrease in instruction, non-instruction, and other expenditures costs during the year.

Governmental Activities

Revenues for governmental activities were \$9,120,740 and expenses were \$8,431,280.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 4,768,946	4,927,259	-3.21%	2,718,873	3,159,611	-13.95%
Support services	2,900,345	2,661,359	8.98%	2,896,422	2,655,176	9.09%
Non-instructional	23,003	3,153	629.56%	23,003	3,153	629.56%
Other expenses	738,986	855,015	-13.57%	492,312	608,890	-19.15%
Totals	\$ 8,431,280	8,446,786	-0.18%	6,130,610	6,426,830	-4.61%

The cost financed by users of the District's programs was \$1,170,378.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,130,292.
- The net cost of governmental activities was financed with \$3,918,731 in local tax, \$481,098 in local option sales and services tax, \$2,210,284 in unrestricted state grants, \$103,677 in interest income and \$112,132 in other general revenue

Business-Type Activities

Revenues of the District's business-type activities were \$663,042 and expenses were \$722,407. The District's business-type activities include the School Nutrition Fund, Child Care Fund and Building and Trades Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Eddyville-Blakesburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,204,603, over last year's ending fund balances of \$2,716,331. However, the primary reason for the increase in combined fund balances in fiscal 2008 is due to the increase in the General and Capital Projects fund balances.

Governmental Fund Highlights

- The District's improving General Fund financial position from \$993,663 to \$1,198,533 is the product of many factors:
 - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
 - The increase in revenues was due to the increase in local tax revenues during the year. The revenues exceeded expenditures, ensuring the increase in the fund balance.
- The Capital Projects Fund balance increased from \$1,109,850 in fiscal 2007 to \$1,265,993 in fiscal 2008. The revenues exceeded expenditures, ensuring the increase in the fund balance.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from a deficit balance of \$2,752 at June 30, 2007 to a deficit balance of \$19,414 at June 30, 2008, representing a decrease of 605.45%. The Child Care Fund net assets decreased from a deficit \$53,491 at June 30, 2007 to a deficit \$95,921 at June 30, 2008, representing an increase of 79.32%. The Buildings and Trades Fund net assets decreased from \$134,404 at June 30, 2007 to \$134,131 at June 30, 2008, representing a decrease of 0.02%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Eddyville-Blakesburg Community School District amended its annual budget one time to reflect additional expenditures in the support services, non-instructional and other expenditure functions.

The District's revenues were \$122,506 less than budgeted revenues, a variance of 1.24%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$4,865,676, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$342,561.

The original cost of the District's capital assets was \$12,032,484. Governmental funds account for \$11,580,687 with the remainder of \$451,797 in the Proprietary, School Nutrition Fund and Child Care Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The decrease in the land improvements category was due to the current year depreciation.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 54,747	54,747	0	0	54,747	54,747	0.00%
Buildings	3,796,030	3,701,014	195,419	200,303	3,991,449	3,901,317	2.31%
Land improvements	345,678	391,584	0	0	345,678	391,584	-11.72%
Machinery and equipment	441,760	434,901	32,042	31,037	473,802	465,938	1.69%
Total	\$ 4,638,215	4,582,246	227,461	231,340	4,865,676	4,813,586	1.08%

Long-Term Debt

At June 30, 2008, the District had \$481,032 in other long-term debt outstanding. This represents a decrease of 30.81% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$232,087 at June 30, 2008.

At June 30, 2008 the District had \$237,138 in lease purchase agreements payable from the Special Revenue - Physical Plant and Equipment Levy Fund.

Compensated absences, which is payable from the General Fund totaled \$11,807 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
Computer lease	\$ 180,468	234,485	-23.04%
Floor scrubber lease	0	9,265	-100.00%
Mower lease	0	5,793	-100.00%
Compensated absences	11,807	16,561	-28.71%
Telephone Lease	56,670	0	100.00%
Early retirement	232,087	429,150	-45.92%
Totals	\$ 481,032	695,254	-30.81%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's October 2008 certified enrollment count increased 2.8 students to 731.0.

-
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
 - Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan Bayer, Board Secretary, Eddyville-Blakesburg Community School District, 1301 Berdan Street, Eddyville, Iowa, 52553.

BASIC FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 3,887,563	0	3,887,563
Receivables:			
Property tax:			
Delinquent	38,739	0	38,739
Succeeding year	3,767,553	0	3,767,553
Income surtax	278,341	0	278,341
Accounts	293,695	178,685	472,380
Due from other governments	234,137	0	234,137
Inventories	0	7,897	7,897
Capital assets, net of accumulated depreciation (Note 4)	4,638,215	227,461	4,865,676
Total Assets	13,138,243	414,043	13,552,286
Liabilities			
Excess of warrants issued over bank balances	0	355,791	355,791
Accrued interest payable	13,091	0	13,091
Accounts payable	387,175	3,323	390,498
Salaries and benefits payable	671,609	27,821	699,430
Incurred but not reported	80,000	0	80,000
Deferred revenue:			
Succeeding year property tax	3,767,553	0	3,767,553
Unearned revenue	0	8,312	8,312
Long-term liabilities (Note 5):			
Portion due within one year:			
Lease purchases	69,999	0	69,999
Compensated absences	11,807	0	11,807
Early retirement payable	101,185	0	101,185
Portion due after one year:			
Lease purchases	167,139	0	167,139
Early retirement payable	130,902	0	130,902
Total Liabilities	5,400,460	395,247	5,795,707
Net Assets			
Invested in capital assets, net of related debt	4,401,077	227,461	4,628,538
Restricted for:			
Salary improvement program	3,313	0	3,313
Market factor	6,007	0	6,007
Early intervention	15,172	0	15,172
Professional development	9,272	0	9,272
Market factor incentives	2,002	0	2,002
Capital projects	1,265,993	0	1,265,993
Physical plant and equipment levy	389,189	0	389,189
Other special revenue purposes	120,399	0	120,399
Unrestricted	1,525,359	(208,665)	1,316,694
Total Net Assets	\$ 7,737,783	18,796	7,756,579

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs:					
Governmental activities:					
Instruction:					
Regular instruction	\$ 3,052,459	671,489	833,007	(1,547,963)	0
Special instruction	1,026,529	208,566	46,688	(771,275)	0
Other instruction	689,958	290,323	0	(399,635)	0
	<u>4,768,946</u>	<u>1,170,378</u>	<u>879,695</u>	<u>(2,718,873)</u>	<u>0</u>
Support services:					
Student services	169,586	0	0	(169,586)	0
Instructional staff services	392,028	0	0	(392,028)	0
Administration services	935,598	0	0	(935,598)	0
Operation and maintenance of plant services	701,005	0	0	(701,005)	0
Transportation services	702,128	0	3,923	(698,205)	0
	<u>2,900,345</u>	<u>0</u>	<u>3,923</u>	<u>(2,896,422)</u>	<u>0</u>
Non-instructional programs:					
Day care operations	23,003	0	0	(23,003)	0
Other expenditures:					
Facilities acquisitions	285,039	0	0	(285,039)	0
Long-term debt interest	13,698	0	0	(13,698)	0
AEA flowthrough	246,674	0	246,674	0	0
Depreciation(unallocated) *	193,575	0	0	(193,575)	0
	<u>738,986</u>	<u>0</u>	<u>246,674</u>	<u>(492,312)</u>	<u>0</u>
Total governmental activities	<u>8,431,280</u>	<u>1,170,378</u>	<u>1,130,292</u>	<u>(6,130,610)</u>	<u>0</u>
Business-Type activities:					
Instruction:					
Other instruction	176,358	177,000	0	0	642
Support services:					
Operation and maintenance of plant services	8,753	0	0	0	(8,753)
Non-instructional programs:					
Nutrition services	343,451	159,994	164,598	0	(18,859)
Child care services	193,845	153,348	2,152	0	(38,345)
Total business-type activities	<u>722,407</u>	<u>490,342</u>	<u>166,750</u>	<u>0</u>	<u>(65,315)</u>
Total	<u>\$ 9,153,687</u>	<u>1,660,720</u>	<u>1,297,042</u>	<u>(6,130,610)</u>	<u>(65,315)</u>
General Revenues and Transfers:					
General Revenues:					
Local tax levied for:					
General purposes			\$ 3,455,864	0	3,455,864
Capital outlays			462,867	0	462,867
Local option sales and services tax			481,098	0	481,098
Unrestricted state grants			2,210,284	0	2,210,284
Unrestricted investment earnings			103,677	98	103,775
Other			112,132	0	112,132
Transfers			(5,852)	5,852	0
Total general revenues and transfers			<u>6,820,070</u>	<u>5,950</u>	<u>6,826,020</u>
Changes in net assets			689,460	(59,365)	630,095
Net assets beginning of year			<u>7,048,323</u>	<u>78,161</u>	<u>7,126,484</u>
Net assets end of year			<u>\$ 7,737,783</u>	<u>18,796</u>	<u>7,756,579</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 1,620,785	1,324,531	831,335	3,776,651
Receivables:				
Property tax:				
Delinquent	33,134	0	5,605	38,739
Succeeding year	3,415,892	0	351,661	3,767,553
Income surtax	119,289	0	159,052	278,341
Accounts	213,860	0	0	213,860
Due from other governments	189,642	44,495	0	234,137
Total Assets	\$ 5,592,602	1,369,026	1,347,653	8,309,281
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 187,279	103,033	96,863	387,175
Salaries and benefits payable	671,609	0	0	671,609
Deferred revenue:				
Succeeding year property tax	3,415,892	0	351,661	3,767,553
Income surtax	119,289	0	159,052	278,341
Total liabilities	4,394,069	103,033	607,576	5,104,678
Fund balances:				
Reserved for:				
Salary improvement program	3,313	0	0	3,313
Market factor	6,007	0	0	6,007
Early intervention	15,172	0	0	15,172
Professional development	9,272	0	0	9,272
Market factor incentives	2,002	0	0	2,002
Unreserved	1,162,767	1,265,993	740,077	3,168,837
Total fund balances	1,198,533	1,265,993	740,077	3,204,603
Total Liabilities and Fund Balances	\$ 5,592,602	1,369,026	1,347,653	8,309,281

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 16)	\$ 3,204,603
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds.	4,638,215
Accounts receivable income surtax, are not yet available to to finance expenditures of the current period.	278,341
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	110,747
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(13,091)
Long-term liabilities, including early retirement, lease purchases and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(481,032)
Net assets of governmental activities (page 14)	<u>\$ 7,737,783</u>

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,256,260	481,098	712,645	4,450,003
Tuition	880,055	0	0	880,055
Other	209,108	0	236,411	445,519
State sources	3,138,727	0	219	3,138,946
Federal sources	201,630	0	0	201,630
Total revenues	7,685,780	481,098	949,275	9,116,153
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	3,217,196	0	34,075	3,251,271
Special instruction	1,026,208	0	0	1,026,208
Other instruction	457,611	0	235,003	692,614
	4,701,015	0	269,078	4,970,093
Support services:				
Student services	169,086	0	0	169,086
Instructional staff services	253,618	74,301	0	327,919
Administration services	811,415	0	105,371	916,786
Operation and maintenance of plant services	650,006	0	55,775	705,781
Transportation services	649,096	36,000	29,089	714,185
	2,533,221	110,301	190,235	2,833,757
Non-instructional programs:				
Food service operations	0	0	23,003	23,003
Other expenditures:				
Facilities acquisitions	0	214,654	313,070	527,724
Long-term debt:				
Principal	0	0	85,299	85,299
Interest and fiscal charges	0	0	14,225	14,225
AEA flowthrough	246,674	0	0	246,674
	246,674	214,654	412,594	873,922
Total expenditures	7,480,910	324,955	894,910	8,700,775
Excess of revenues over expenditures	204,870	156,143	54,365	415,378
Other financing sources(uses):				
Transfer in	0	0	109,524	109,524
Transfer out	0	0	(109,524)	(109,524)
Proceeds from lease purchases	0	0	72,894	72,894
Total other financing sources(uses)	0	0	72,894	72,894
Net change in fund balances	204,870	156,143	127,259	488,272
Fund balance beginning of year	993,663	1,109,850	612,818	2,716,331
Fund balance end of year	\$ 1,198,533	1,265,993	740,077	3,204,603

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18) \$ 488,272

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, and depreciation expense in the current year are as follows:

Capital outlays	\$ 388,210	
Depreciation expense	<u>(332,241)</u>	55,969

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (79,969)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 10,439

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 527

Proceed from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issuances and repayments, are as follows:

Issued	\$ (72,894)	
Repaid	<u>85,299</u>	12,405

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	\$ 197,063	
Compensated absences	<u>4,754</u>	<u>201,817</u>

Changes in net assets of governmental activities (page 15) \$ 689,460

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	School Nutrition	Child Care	Building and Trades	Total	
Assets					
Cash and pooled investments	\$ 0	0	0	0	110,912
Accounts receivable	1,685	0	177,000	178,685	79,835
Inventories	7,897	0	0	7,897	0
Capital assets, net of accumulated depreciation (Note 4)	29,041	198,420	0	227,461	0
Total Assets	38,623	198,420	177,000	414,043	190,747
Liabilities					
Excess of warrants issued over bank balance	27,294	288,951	39,546	355,791	0
Accounts payable	0	0	3,323	3,323	0
Salaries and benefits payable	22,431	5,390	0	27,821	0
Incurred but not reported	0	0	0	0	80,000
Unearned revenues	8,312	0	0	8,312	0
Total Liabilities	58,037	294,341	42,869	395,247	80,000
Net Assets					
Invested in capital assets	29,041	198,420	0	227,461	0
Unrestricted	(48,455)	(294,341)	134,131	(208,665)	110,747
Total Net Assets	\$ (19,414)	(95,921)	134,131	18,796	110,747

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	School Nutrition	Child Care	Building and Trades	Total	
OPERATING REVENUE:					
Local sources:					
Charges for service	\$ 159,982	151,913	177,000	488,895	670,305
Other miscellaneous revenue	12	2,421	0	2,433	0
	159,994	154,334	177,000	491,328	670,305
OPERATING EXPENSES:					
Instruction:					
Other:					
Supplies	0	0	176,358	176,358	0
	0	0	176,358	176,358	0
Support services:					
Student services:					
Benefits	0	0	0	0	37,163
Administration:					
Benefits	0	0	0	0	714,169
Services	0	173	0	173	0
Operation and maintenance of plant services:					
Services	0	7,665	915	8,580	0
	0	7,838	915	8,753	751,332
Non-instruction:					
Salaries	124,237	149,142	0	273,379	0
Benefits	40,515	35,076	0	75,591	0
Services	52,544	28	0	52,572	0
Supplies	121,471	3,329	0	124,800	0
Depreciation	4,684	5,636	0	10,320	0
Other	0	634	0	634	0
	343,451	193,845	0	537,296	0
TOTAL OPERATING EXPENSES	343,451	201,683	177,273	722,407	751,332
OPERATING LOSS	(183,457)	(47,349)	(273)	(231,079)	(81,027)
NON-OPERATING REVENUES:					
State sources	4,464	1,166	0	5,630	0
Federal sources	160,134	0	0	160,134	0
Interest income	98	0	0	98	1,058
TOTAL NON-OPERATING REVENUES	164,696	1,166	0	165,862	1,058
Change in net assets before capital contributions	(18,761)	(46,183)	(273)	(65,217)	(79,969)
Capital contributions	2,099	3,753	0	5,852	0
Change in net assets	(16,662)	(42,430)	(273)	(59,365)	(79,969)
Net assets beginning of year	(2,752)	(53,491)	134,404	78,161	190,716
Net assets end of year	\$ (19,414)	(95,921)	134,131	18,796	110,747

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	School Nutrition	Child Care	Building and Trades	Total	
Cash flows from operating activities:					
Cash received from sale of lunches and breakfasts	\$ 161,911	0	0	161,911	0
Cash received from miscellaneous operating activities	12	154,334	500	154,846	594,670
Cash payments to employees for services	(169,002)	(188,934)	0	(357,936)	0
Cash payments to suppliers for goods or services	(155,457)	(11,829)	(173,950)	(341,236)	(731,332)
Net cash used in operating activities	(162,536)	(46,429)	(173,450)	(382,415)	(136,662)
Cash flows from non-capital financing activities:					
State grants received	4,464	1,166	0	5,630	0
Federal grants received	140,293	0	0	140,293	0
Net cash provided by non-capital financing activities	144,757	1,166	0	145,923	0
Cash flows from investing activities:					
Interest income	98	0	0	98	1,058
Cash flows from capital financing activities:					
Purchase of assets	(589)	0	0	(589)	0
Net decrease in cash and cash equivalents	(18,270)	(45,263)	(173,450)	(236,983)	(135,604)
Cash and cash equivalents at beginning of year	(9,024)	(243,688)	133,904	(118,808)	246,516
Cash and cash equivalents at end of year	\$ (27,294)	(288,951)	(39,546)	(355,791)	110,912
Reconciliation of operating loss to net cash used in operating activities:					
Operating loss	\$ (183,457)	(47,349)	(273)	(231,079)	(81,027)
Adjustments to reconcile operating loss to net cash used in operating activities:					
Commodities consumed	19,841	0	0	19,841	0
Depreciation	4,684	5,636	0	10,320	0
Increase in inventories	(1,283)	0	0	(1,283)	0
Increase in accounts receivable	(1,685)	0	(176,500)	(178,185)	(75,635)
Increase in accounts payable	0	0	3,323	3,323	0
Decrease in salaries and benefits payable	(4,250)	(4,716)	0	(8,966)	0
Increase in incurred but not reported	0	0	0	0	20,000
Increase in unearned revenue	3,614	0	0	3,614	0
Net cash used in operating activities	\$ (162,536)	(46,429)	(173,450)	(382,415)	(136,662)

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR
END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE
SHEET:

Current assets:					
Cash and investments	\$ (27,294)	(288,951)	(39,546)	(355,791)	110,912

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$19,841.

During the year ended June 30, 2008, the Nutrition Fund received contributed capital valued at \$2,099 from the Physical Plant and Equipment Levy Fund.

During the year ended June 30, 2008, the Day Care Fund received contributed capital valued at \$3,753 from the Capital Projects Fund.

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 18,955	2,303
Liabilities		
Due to other groups	0	2,303
Net Assets		
Unrestricted	<u>\$ 18,955</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2008

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Instruction:	
Local sources:	
Interest	\$ 521
Donations and contributions	<u>11,024</u>
Total additions	<u>11,545</u>
Deductions:	
Instruction:	
Scholarships	<u>11,500</u>
Change in net assets	45
Net assets beginning of year	<u>18,910</u>
Net assets end of year	<u>\$ 18,955</u>

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The Eddyville-Blakesburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Eddyville and Blakesburg, Iowa, and the predominate agricultural territory in Wapello, Monroe, Davis and Mahaska Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Eddyville-Blakesburg Community School District has included all funds, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Eddyville-Blakesburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wapello, Monroe, Davis and Mahaska Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise funds, School Nutrition Fund, Child Care Fund and Building and Trades Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Child Care Fund is used to account for the day care service operations of the District. The Building and Trades Fund is used to account

for the vocational program which builds different projects. The Internal Service Fund is used to account for partially self-funded health insurance premiums of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operation.

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary, and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the

District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been

recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	2,000
Land improvements	2,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable- Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase

agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 2,932</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue, Physical Plant and Equipment Levy	\$ 99,524
Special Revenue, Student Activity Fund	Special Revenue, Expendable Trust	<u>10,000</u>
Total		<u>\$ 109,524</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The Special Revenue, Physical Plant and Equipment Levy Fund transferred funds to Debt Service Fund for the lease payments paid with local option sales and services tax.

The Trust Fund Blakesburg Attendance Center transferred funds to the Special Revenues, Activity Fund to buy equipment for the Blakesburg Center.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Capital assets being depreciated:				
Buildings	\$ 306,500	0	0	306,500
Machinery and equipment	138,856	6,441	0	145,297
Total capital assets being depreciated	445,356	6,441	0	451,797
Less accumulated depreciation for:				
Buildings	106,197	4,884	0	111,081
Machinery and equipment	107,819	5,436	0	113,255
Total accumulated depreciation	214,016	10,320	0	224,336
Business-type activities capital assets, net	\$ 231,340	(3,879)	0	227,461
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 54,747	0	0	54,747
Total capital assets not being depreciated	54,747	0	0	54,747
Capital assets being depreciated:				
Buildings	7,140,787	242,685	0	7,383,472
Land improvements	1,280,136	0	0	1,280,136
Machinery and equipment	2,716,807	145,525	0	2,862,332
Total capital assets being depreciated	11,137,730	388,210	0	11,525,940
Less accumulated depreciation for:				
Buildings	3,439,773	147,669	0	3,587,442
Land improvements	888,552	45,906	0	934,458
Machinery and equipment	2,281,906	138,666	0	2,420,572
Total accumulated depreciation	6,610,231	332,241	0	6,942,472
Total capital assets being depreciated, net	4,527,499	55,969	0	4,583,468
Governmental activities capital assets, net	\$ 4,582,246	55,969	0	4,638,215

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 11,213
Special	321
Other	7,089

Support services:

Student services	500
Instructional staff	68,822
Administration	19,386
Operation and maintenance of plant	7,392
Transportation	23,943
Unallocated depreciation	193,575

Total governmental activities depreciation expense	<u>\$ 332,241</u>
--	-------------------

Business-type activities:

Food services	\$ 4,684
Day Care	5,636
Total business-type activities depreciation expense	<u>\$ 10,320</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early Retirement	\$ 429,150	0	197,063	232,087	101,185
Compensated absences	16,561	11,807	16,561	11,807	11,807
Computer lease	234,485	0	54,017	180,468	56,977
Floor scrubber lease	9,265	0	9,265	0	0
Telephone Lease	0	72,894	16,224	56,670	13,022
Mower lease	5,793	0	5,793	0	0
	<u>\$ 695,254</u>	<u>84,701</u>	<u>298,923</u>	<u>481,032</u>	<u>182,991</u>

Early Retirement

The District offers a voluntary early retirement plan to its Teachers, Teachers Aides, Custodians, Cooks, Secretaries and Bus Drivers. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive cash benefit for each eligible employee is based on a percentage of the employee's current salary. The District also pays an early retirement incentive for a single health insurance policy until the retiree is age sixty-five. Early retirement benefits paid during the year ended June 30, 2008, totaled \$197,063. A liability has been recorded in the

Statement of Net Assets representing the District's commitment to fund non-current early retirement.

Computer Lease

During the year ended June 30, 2008, the District obtained financing for 215 computers and computer switches. Payments were made from the Physical Plant and Equipment Levy Fund.

Year	Computer Lease			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2009	5.48 %	\$ 56,977	9,889	66,866
2010	5.48	60,099	6,767	66,866
2011	5.48	63,392	3,474	66,866
Total		\$ 180,468	20,130	200,598

Telephone Lease

During the year ended June 30, 2008, the District obtained financing for a phone system. Payments were made from the Physical Plant and Equipment Levy Fund.

Year	Telephone Lease			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2009	5.56 %	\$ 13,022	3,202	16,224
2010	5.56	13,757	2,467	16,224
2011	5.56	14,535	1,689	16,224
2012	5.56	15,356	868	16,224
Total		\$ 56,670	8,226	64,896

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$288,788, \$267,930, and \$218,221, respectively, equal to the required contributions for each year.

(7) Risk Management

Eddyville-Blakesburg Community School District is exposed to Various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$246,674 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Deficit Net Assets

The Enterprise Fund, School Nutrition and Child Care Funds had deficit unrestricted net assets at June 30, 2008 of \$48,455 and \$294,341, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary		Budgeted Amounts		Final to
	Funds	Funds	Total			Actual
	Actual	Actual	Actual	Original	Final	Variance
Revenues:						
Local sources	\$ 5,775,577	491,426	6,267,003	6,555,638	6,555,638	(288,635)
State sources	3,138,946	5,630	3,144,576	2,918,611	2,918,611	225,965
Federal sources	201,630	160,134	361,764	421,600	421,600	(59,836)
Total revenues	9,116,153	657,190	9,773,343	9,895,849	9,895,849	(122,506)
Expenditures:						
Instruction	4,970,093	176,358	5,146,451	6,140,925	5,440,325	293,874
Support services	2,833,757	8,753	2,842,510	3,428,491	3,647,462	804,952
Non-instructional programs	23,003	537,296	560,299	713,631	1,103,631	543,332
Other expenditures	873,922	0	873,922	1,242,767	1,418,396	544,474
Total expenditures	8,700,775	722,407	9,423,182	11,525,814	11,609,814	2,186,632
Excess(deficiency) of revenues over(under) expenditures	415,378	(65,217)	350,161	(1,629,965)	(1,713,965)	2,064,126
Other financing sources, net	72,894	5,852	78,746	1,000	1,000	77,746
Excess(deficiency) of revenues over(under) expenditures and other financing sources	488,272	(59,365)	428,907	(1,628,965)	(1,712,965)	2,141,872
Balance beginning of year	2,716,331	78,161	2,794,492	2,376,542	2,376,542	417,950
Balance end of year	\$ 3,204,603	18,796	3,223,399	747,577	663,577	2,559,822

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2008, the District adopted one budget amendment which increased budget expenditures by \$84,000.

OTHER SUPPLEMENTARY INFORMATION

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Special Revenue Funds				
	Physical				Total
	Student Activity	Manage- ment Levy	Plant and Equipment Levy	Expend- able Trust	
Assets					
Cash and pooled investments	\$ 90,112	318,982	391,954	30,287	831,335
Receivables:					
Property tax:					
Current year delinquent	0	2,656	2,949	0	5,605
Succeeding year	0	250,000	101,661	0	351,661
Income surtax	0	0	159,052	0	159,052
Total Assets	\$ 90,112	571,638	655,616	30,287	1,347,653
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 0	91,149	5,714	0	96,863
Deferred revenue:					
Succeeding year property tax	0	250,000	101,661	0	351,661
Income surtax	0	0	159,052	0	159,052
Total liabilities	0	341,149	266,427	0	607,576
Fund balance	90,112	230,489	389,189	30,287	740,077
Liabilities and Fund Balances	\$ 90,112	571,638	655,616	30,287	1,347,653

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds						
	Physical				Total		
	Student	Management	Plant and	Expend-	Special	Debt	
	Activity	Levy	Equipment	able	Revenue	Service	Total
			Levy	Trust	Funds		
REVENUES:							
Local sources:							
Local tax	\$ 0	249,779	462,866	0	712,645	0	712,645
Other	221,954	13,001	0	1,456	236,411	0	236,411
State sources	0	104	115	0	219	0	219
TOTAL REVENUES	221,954	262,884	462,981	1,456	949,275	0	949,275
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	0	34,075	0	0	34,075	0	34,075
Other instruction	235,003	0	0	0	235,003	0	235,003
Support services:							
Administration services	0	67,689	37,682	0	105,371	0	105,371
Operation and maintenance of plant services	0	55,775	0	0	55,775	0	55,775
Student transportation	0	29,089	0	0	29,089	0	29,089
Non-instructional programs:							
Food service operations	0	23,003	0	0	23,003	0	23,003
Other expenditures							
Facilities acquisitions	0	0	313,070	0	313,070	0	313,070
Long-term debt:							
Principal	0	0	0	0	0	85,299	85,299
Interest and fiscal charges	0	0	0	0	0	14,225	14,225
TOTAL EXPENDITURES	235,003	209,631	350,752	0	795,386	99,524	894,910
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(13,049)	53,253	112,229	1,456	153,889	(99,524)	54,365
OTHER FINANCING SOURCES(USES):							
Proceeds from lease purchases	0	0	72,894	0	72,894	0	72,894
Transfer in	10,000	0	0	0	10,000	99,524	109,524
Transfer out	0	0	(99,524)	(10,000)	(109,524)	0	(109,524)
TOTAL OTHER FINANCING SOURCES(USES)	10,000	0	(26,630)	(10,000)	(26,630)	99,524	72,894
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES(USES)	(3,049)	53,253	85,599	(8,544)	127,259	0	127,259
FUND BALANCES BEGINNING OF YEAR	93,161	177,236	303,590	38,831	612,818	0	612,818
FUND BALANCES END OF YEAR	\$ 90,112	230,489	389,189	30,287	740,077	0	740,077

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues and Transfers	Expendi- tures	Balance End of Year
Activity Management	\$ 30,378	48,029	54,339	24,068
Uniform	342	7,113	7,455	0
Cross Country	473	0	45	428
Boys Basketball	2,046	8,669	8,695	2,020
Football	80	14,688	13,609	1,159
Baseball	33	5,870	4,580	1,323
Boys Track	178	1,526	1,420	284
Golf	620	276	215	681
Wrestling	2,499	10,091	8,230	4,360
Girls Basketball	(168)	13,699	13,340	191
Volleyball	1,890	4,351	4,044	2,197
Softball	3,851	7,706	7,638	3,919
Girls Track	519	1,082	934	667
Cheerleading	11	0	0	11
Cheerleading Football	464	4,102	3,425	1,141
Cheerleading Basketball	0	463	211	252
Cheerleading Wrestling	0	887	887	0
Interest	625	0	0	625
Class of 2007	194	0	194	0
Class of 2008	1,761	511	2,272	0
Class of 2009	0	8,266	7,239	1,027
Class of 2010	0	363	0	363
National Honor Society	661	0	491	170
HS Student Council	903	1,389	1,459	833
EEAC Student Council	4	0	0	4
E-B MS Tag	268	295	563	0
E-B Jr High Student Council	5,872	1,790	745	6,917
BAC 7/8 Activity	6,141	15,272	11,579	9,834
BAC Elementary	373	879	1,025	227
FFA	4,295	37,157	38,003	3,449
Spanish Club	6,725	0	0	6,725
Thespian Club	681	1,036	1,237	480
Jr Red Cross	205	779	741	243
Tri M Society	1,003	0	0	1,003
Drama/Play	1,788	1,004	1,022	1,770
FFA CD	4,164	0	0	4,164
Yearbook	11,373	8,296	5,880	13,789
Concessions	1,600	20,052	21,052	600
Family Career	262	2,454	2,376	340
MS Band Fundraiser	0	3,502	9,774	(6,272)
MS Drama	116	0	46	70
Future Business Leaders	931	357	238	1,050
Total	\$ 93,161	231,954	235,003	90,112

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2008

	Private Purpose Trust - Scholarship Fund					
	FFA	Thelma	Carroll D	Harry		
	Schroeder	Memorial	Hohl	Mc Mullin	Carr	
	Scholarship	CD	Scholarship	Scholarship	Memorial CD	Total
ASSETS						
Cash and pooled investments	\$ 1,040	6,560	1,216	7,750	2,389	18,955
LIABILITIES	0	0	0	0	0	0
NET ASSETS						
Reserved for scholarships	\$ 1,040	6,560	1,216	7,750	2,389	18,955

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2008

Private Purpose Trust - Scholarship Fund						
	BAC	Thelma	Carroll D	Harry		
Schroeder	FFA	Hohl	Mc Mullin	Carr		
Scholarship	Scholarship	Scholarship	Scholarship	Memorial CD	Total	
Additions:						
Local sources:						
Interest income	\$ 38	388	0	0	95	521
Donations and Contributions	0	0	5,024	6,000	0	11,024
	38	388	5,024	6,000	95	11,545
Deductions:						
Instruction	0	0	5,000	6,000	500	11,500
Changes in net assets	38	388	24	0	(405)	45
Net assets beginning of year	1,002	6,172	1,192	7,750	2,794	18,910
Net assets end of year	\$ 1,040	6,560	1,216	7,750	2,389	18,955

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2008

	Beginning			Ending
	Balance	Increases	Decreases	Balance
BAC Faculty				
Assets:				
Cash and other investments	\$ 588	453	447	594
Liabilities:				
Due to other groups	\$ 588	453	447	594
E-B HS Faculty				
Assets:				
Cash and other investments	\$ 1,263	581	135	1,709
Liabilities:				
Due to other groups	\$ 1,263	581	135	1,709
Total				
Assets:				
Cash and other investments	\$ 1,851	1,034	582	2,303
Liabilities:				
Due to other groups	\$ 1,851	1,034	582	2,303

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

		Modified Accrual Basis				
		Years Ended June 30,				
		2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$	4,450,003	4,400,083	4,160,233	3,816,851	3,164,785
Tuition		880,055	883,897	1,091,012	585,509	638,838
Other		445,519	380,575	300,615	567,934	404,322
State sources		3,138,946	3,232,823	2,900,185	2,856,947	2,691,921
Federal sources		201,630	219,238	266,667	280,788	312,395
Total	\$	9,116,153	9,116,616	8,718,712	8,108,029	7,212,261
Expenditures:						
Current:						
Instruction:						
Regular instruction	\$	3,251,271	3,379,829	3,325,982	3,510,809	3,074,981
Special instruction		1,026,208	980,574	945,318	955,630	871,201
Other instruction		692,614	563,514	661,387	489,972	555,274
Support services:						
Student services		169,086	150,896	37,448	67,230	165,055
Instructional staff services		327,919	559,431	173,734	122,397	219,814
Administration services		916,786	946,784	886,521	778,248	780,750
Operation and maintenance of plant services		705,781	666,231	668,700	647,461	671,715
Transportation services		714,185	737,271	584,158	551,283	476,909
Non-instructional programs		23,003	24,498	9,449	25,860	24,508
Other expenditures:						
Facilities acquisitions		527,724	409,954	101,263	364,123	295,160
Long-term debt:						
Principal		85,299	73,347	0	0	0
Interest		14,225	2,247	0	0	0
AEA flow-through		246,674	246,125	226,534	215,713	218,241
Total	\$	8,700,775	8,740,701	7,620,494	7,728,726	7,353,608

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Eddyville-Blakesburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Eddyville-Blakesburg Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 23, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eddyville-Blakesburg Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Eddyville-Blakesburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Eddyville-Blakesburg Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Eddyville-Blakesburg Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Eddyville-Blakesburg Community School District's financial statements that is more than inconsequential will not be prevented or detected by Eddyville-Blakesburg Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Eddyville-Blakesburg Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eddyville-Blakesburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Eddyville-Blakesburg Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Eddyville-Blakesburg Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Eddyville-Blakesburg Community School District and other parties to whom Eddyville-Blakesburg Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Eddyville-Blakesburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2009

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District will review its control procedures to achieve the maximum internal control possible using our current staff.

Conclusion - Response accepted.

- I-B-08 Fixed Assets - A record of fixed asset acquisitions and disbursements are kept, however these changes are not kept up to date and are not being kept on the District's software system. Fixed assets are required to be maintained for financial statement presentation.

Recommendation - Fixed asset updates should be made on a continuous basis to allow the school officials and outsiders an accurate account of the amount of fixed assets at any point in time. This is necessary for both an accurate account of assets and to ensure a proper amount of insurance is carried to cover the assets in case of loss from fire, vandalism, or theft. The District should have a complete list of additions, deletions, and current assets for reporting purposes.

Response - The District has outsourced its fixed asset system to better facilitate an accurate account of assets and to ensure a proper amount of insurance is carried in case of loss.

Conclusion - Response accepted.

- I-C-08 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. There were no adjustments in the Enterprise - School Nutrition Fund and the Enterprise - School Child Care made for the changes in capital assets balances. Also, there were no adjustments made to include the accrued compensation or early retirement payables in the Districts Long Term Liabilities.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - Adjustments will be made in the following enterprises, nutrition, and Eddyville-Blakesburg Community School District's child care, to reflect an accurate capital assets balance. The District will also make adjustments in the long-term liabilities to include accrued compensation and early retirement payables.

Conclusion - Response accepted.

- I-D-08 Federal Grants - We noted during our audit, that the federal grant ComServ was commingled with donations the District had received.

We also, noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Additional training should be considered with regard to the individuals who are in charge of the federal awards. These individuals need to communicate continuously with the accounting staff on which federal grants have been expended to ensure that the general ledger is accurate with the reports submitted to the state and federal government.

Recommendation - The District should review the coding of revenues, to ensure that all revenues are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures. The district should monitor timelines for grants to ensure that quarterly reports are filed timely and therefore grant revenues are received for the programs.

Response - The District will monitor timelines and ensure that the Uniform Financial Accounting codes are researched and utilized in order to match up the correct revenues and expenditures for all grant funds.

Conclusion - Response accepted.

- I-E-08 Sponsor Procedures - During our audit, concerns developed about sponsor procedures. Currently, some sponsors are not turning in supporting documentation for money collected from individuals, fundraising events and other revenue fees. It was also apparent that the sponsors were not turning in collected receipts to the administration office for deposit in a timely manner. It appeared that some sponsors maintained the cash collection in their office/classroom until they had time to turn the funds into the office or until all the funds were collected. We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

The breakdown of control procedures for the receipting process becomes apparent as the sponsor maintains the collected revenue. The maintenance of the undeposited funds in the office/classroom provides a risk of loss due to possible theft, improper use or loss, as well as lack of reporting of the funds. The District is required to maintain records for the student activity fund.

Recommendation - The district actually maintains multiple layers of receipting from, sponsors, to the building office, to the central office. When sponsors or fundraising chairpersons submit money to the office for previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts. The district should take necessary steps to require all sponsors to turn in collected money on a daily basis with a detailed receipts or another form of detailed documentation. This detailed documentation should at a minimum

include the individual that the sponsor received the money from, the purpose, the fund/organization/club that needs to be credited, the date and amount.

Response - The District will review procedures to monitor and tighten internal controls when working with receipts and sponsors.

Conclusion - Response accepted.

- I-F-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.8)." Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

The District receives money for the use of facilities when they are hosting district and regional events. Currently, the District's practice is to receipt rents for hosting district and regional events into the Activity Fund. Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. In the future, the District should receipt rent collected for facility usage into the General Fund.

Currently, donations from Target are recorded in the Elementary account in the Student Activity Fund. Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

It was also noted that Activity Fund had purchased library books. The receipts and expenditures made from this account appears to be more appropriately accounted for in the General fund. The District should review the transactions in this account and make the necessary transfers.

We noted during our audit that the Student Activity fund included an interest account that has not been allocated. The interest earned each year should be allocated out at on an annual basis to the individual activity accounts.

There is a Class of 2008 in the Student Activity Fund. Past graduating class accounts should be declared inactive and the account balance should be allocated to the other activity accounts.

We noted that the District sells yearbook advertisements. However, there is not a reconciliation of sponsor payments to the actual published advertisements in the yearbook. The District should implement procedures to reconcile sponsor payments to advertisements for the yearbook prior to publishing the yearbook.

The Activity Management account awards scholarships from proceeds from donations and miscellaneous receipts generated by the Student Activity Fund during the year. When donations are received by the District the revenues should be recorded in the fund that may legally pay for the purpose of the donation. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship donations should be placed and expended from the Private Purpose Trust Fund.

Response - The District will centralize the Activity Fund records at the Central Office where the activity accounts can be more closely monitored.

Conclusion - Response accepted.

- I-G-08 Scholarships - We noted that the District received a \$6,000 donation to be used for six \$1,000 scholarships. The District however, paid out three \$2,000 scholarships that contradicted the original donation request.

Recommendation - The District needs to review its procedures to ensure they are following the requirements of all donations they receive. When donations are accepted, the donor has the expectation of their specific request to be followed. If the District does not intend to follow the donor request by modifying it, the District should approve the actions with the donor or not accept the donation.

Response - The individuals working with the scholarships have been directed to review the guidelines of scholarships.

Conclusion - Response accepted.

- I-H-08 Board Policies - We noted during our audit, that the District does not have a cell phone policy. The policy should address the issues and requirements for employees who utilize District owned cell phones.

Recommendation - The District should review their procedures in place and update or implement the necessary policies.

Response - The District will implement the necessary cell phone policy.

Conclusion - Response accepted.

- I-I-08 Purchase Orders - We noted during our audit that District does use purchase orders, sometimes the purchase orders were completed and approved after the product had been ordered or received.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted, prior to the ordering of the item. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial statements as an outstanding order, which represents the amount of obligation against the budget. When monitoring actual expenses, it can be helpful to know the

outstanding orders which will be subsequently paid, therefore, allowing the person who approves the purchase orders, the insight to know, if there is still available funding to make purchases.

Although Districts are not required to use a purchase order system, the benefits to financial management make the system, desirable. The District's current purchase order system should be reviewed and make the necessary changes, so that all disbursements are approved by the appropriate administrator before the ordering of supplies takes place.

Response - The District is currently monitoring the purchase order system and will ensure that purchase orders have proper approvals.

Conclusion - Response accepted.

I-J-08 Lease Payments - During our audit we noted that lease payments are being made for the floor scrubber and mower lease directly from the Special Revenue, Physical Plant and Equipment Levy Fund. When the District purchases assets and finances the payments over multiple years the amount representing principle and interest should be transferred to the Debt Service Fund for the subsequent payment.

Recommendation - The District should review Chapter 9 of the LEA, Statutory Authority for Funds. The purpose of the debt service fund is to pay bonds, loan, lease-purchase agreement, or other evidence of indebtedness authorized by Code. The District should also review their procedures and implement changes to comply with the Statutory Authority for Funds.

Response - We will transfer the current leases annually to be paid out of debt service.

Conclusion - Response accepted.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Deb Bahr, Board Member Servicing agent at Insurance Associates	Worker's Compensation insurance	\$52,718

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with Deb Bahr, does appear to represent a conflict of interest. The District paid Deb Bahr, Board Member, who is part owner in Insurance Associates, the amount of \$52,718.

Recommendation - The District should consult legal counsel to determine if the transactions with Deb Bar represent a conflict of interest to the District.

Response - The District has consulted legal counsel of which he will draft a letter in response.

Conclusion - Response accepted.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-08 Financial Condition - The District had deficit unrestricted net assets of \$48,455 in the Enterprise - School Nutrition Fund and \$294,341 in the Enterprise - School Child Care at June 30, 2008.

During our audit, we noted that the District had one deficit account in the Special Revenue: Activity Fund of \$6,272.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - The District continues to monitor these funds and is investigating ways to eliminate these deficits.

Conclusion - Response accepted.

II-K-08 Signing of Officiating Contracts - We noted during our audit that the Board President was not signing athletic officiating contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into, to comply with Chapter 291.1 of the Code of Iowa.

Response - The District is now having the Board President sign all officiating contracts.

Conclusion - Response accepted.